

# **Department of Revenue IT Strategic Plan 2009 - 2011 Biennium**



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Department of Revenue  
IT Strategic Plan  
2009 - 2011 Biennium

Table of Contents

<b>Executive Summary .....</b>	<b>3</b>
<b>Agency Strategy and Objectives .....</b>	<b>5</b>
<b>Current Agency State .....</b>	<b>8</b>
APPLICATION INFORMATION .....	8
INFRASTRUCTURE ASSETS INFORMATION .....	9
CURRENT PROJECT INFORMATION .....	10
OPERATIONS/IT MANAGEMENT INFORMATION.....	11
HUMAN RESOURCES .....	12
<b>Major Initiatives and Investments.....</b>	<b>13</b>
<b>Conclusion.....</b>	<b>15</b>

## Executive Summary

The Department of Revenue has a strong history of developing strategic plans that coordinate the operations of the agency and ensure a common focus and direction for the initiatives undertaken. The past two years (FY 2006-2008) have been no exception. DOR has continued to enhance and evolve the Vision 2010 concepts and currently developing an agency strategic plan through 2014. In November 2006, the Department completed the development of its E-Business Project Definition and Planning (PDP) initiative that provides a seven (7) year roadmap for the enhancement of technology for the department. This roadmap includes five (5) technology initiatives:

- Replacement of the legacy Integrated Tax Administration System (ITAS)
- Enhancement of e-Services to taxpayers
- Expansion of Data Warehouse and Reporting and Analytics
- Implementation of Customer Relationship Management
- Implementation of Enterprise Case Management

A funding plan for these initiatives was presented to the General Assembly for the FY 07-09 biennium budget and the Department received \$45M in funding for the plan. The procurement effort for the first phase, ITAS replacement, was started in FY 07-08 and resulted with a contract being awarded to CGI, Inc. in August 2008 for the new Tax Information Management System (TIMS). This project is a three-year effort and is expected to have a total cost of \$65-70M. The remainder of the funding requirements for the TIMS project will be requested during the FY 2009-2011 biennium.

The TIMS project will provide greater functionality than the current ITAS system and will allow for more agility and adaptability as tax laws evolve. Additionally, a significant portion of the data warehouse and reporting analytics initiatives, anticipated for later phases, will be included in this project.

Another aspect of the PDP was the evolution of the information technology organization around industry best practices. During the biennium, DOR began an initiative to upgrade and enhance the capabilities of the IT organization. This is a multi-faceted program entitled Framework for IT (FIT). The first initiative of the FIT program is the continuous improvement of the service processes of the IT organization using the ITIL (IT Infrastructure Library) framework. The first two process implementations, Incident and Change, have been underway and should be completed before the end of the current fiscal year and the work on two additional processes should begin. The second initiative of FIT is network segmentation. The Department has begun a significant upgrade of the internal network to create separate network segments to protect the various systems from viruses and malware that might be able to infiltrate the network. This is a four-phase initiative of which two phases are complete. Additional components of FIT are the High-

Availability program and the creation of the Data Warehouse Center of Excellence (COE). The High Availability is focused on the elimination of single points of failure from a hardware, software and personnel perspective to improve the reliability and recoverability of all of the distributed systems at DOR. The creation of the Data Warehouse COE is a key component of the IT organizational improvements outlined in the PDP. The COE will be a critical component of the TIMS project and will increase the capacity of the agency to support the analytical requirements of the business operations.

During the past biennium, DOR has also focused on enhancing the e-services available to taxpayers for filing, paying and having access to history. This focus will continue during the next biennium with the completion of the Online Filing and Payment (OFP) Enhancement project, which will result in all of the ACH Debit payment transactions being moved from a third-party vendor to the State's Common Payment Services. During the past fiscal year, another e-services project, Online Business Registration, has been underway and should be completed by the end of the calendar year (2008). This new service will allow citizens to register new businesses with the Department online, rather than having to submit paper registration forms through the mail.

The TIMS and FIT projects will be the significant technology initiatives undertaken during the next biennium. However, the current technical environment of ITAS, Data Capture, Taxpayer Assistance and Collection Center (TACC), and other operational systems will have to continue to be enhanced and supported as legislative mandates and law changes necessitate. One specific initiative is the implementation of Taxpayer Call Recording to meet legislative requirements passed in the 2008 session.

# Agency Strategy and Objectives

In October 2005, the Secretary of Revenue issued a memorandum to all employees of the Department stating that moving forward, turning DOR into an e-business organization would be the focus of all the agency's initiatives. In March 2006, the Department completed its E-Business Strategy document. The Department's Vision 2010 Plan along with the E-Business Strategy will be the basis for all IT initiatives for the coming biennium. In November 2006, the agency completed its E-Business Strategy Project Definition and Planning project, which developed the implementation roadmap for the E-Business Strategy.

In 2007, a Strategy Map approach was utilized to update the agency Strategic Plan. A copy of the Strategy Map and the Strategy Plan are attached.

The Department has five (5) goals:

1. **Maximize tax compliance and State tax revenue** for the citizens of North Carolina by leveraging analytical tools and repositories of tax data to improve return on investment of the Department's compliance programs.
2. **Improve constituent services** for North Carolina taxpayers by increasing accessibility, speed and accuracy through electronic services and educational services to make it easier to comply with the tax laws and do business with the Department.
3. **Improve agency efficiency and effectiveness** through education, process improvement and automation so as to provide more services to the taxpayers of North Carolina at reduced costs.
4. **Maximize public trust** through strong security, well-designed systems and quality customer service so as to encourage the use of e-services.
5. **Build a more customer-centric, innovative culture** at the Department of Revenue to enable and sustain an e-government organization by becoming an employer of choice, understanding customer needs and empowering employees with the authority, information, and training to resolve taxpayer issues.

These 5 goals were developed into 11 agency strategies:

1. Build the capability to use business intelligence, to identify non-compliance on the basis of probable risk, so as to maximize ROI and net revenue from compliance programs.
2. Improve the extent to which taxpayer education, marketing and outreach programs are proactive, coordinated and timely, to improve taxpayer access to information needed to meet their tax obligations and promote e-services.
3. Tailor taxpayer interactions to their situation to improve compliance by understanding the needs of key segments of the taxpayer population, then organizing information and designing or improving products and services to meet their needs.

4. Enable taxpayer self-service through e-services that are accessible, convenient and transparent.
5. Resolve routine taxpayer issues and questions in one contact through integrated processes, knowledge management, employee training, a well-designed web portal and user-friendly e-services.
6. Develop public and private sector partnerships that will create opportunities to improve delivery of services.
7. Continuously improve accuracy and timeliness of how we capture, record and process taxpayer data and resulting transactions.
8. Redesign processes, measures and performance expectations to foster customer-centric services and "one-and-done service."
9. Leverage e-business technology and enterprise analytics in the Department's internal processes to gain the best return on investment of its resources.
10. Strengthen IT security systems to proactively prevent security and disclosure breaches.
11. Maintain integrity of taxpayer data to avoid misuse and inappropriate accesses through advanced security systems and strong employee training.
12. Manage IT infrastructure and organization as a mission-critical component of the Department to serve as the foundation of the e-business transformation for the Department of Revenue.
13. Become an employer of choice in the public sector with motivated, well-trained staff so we attract and retain highly skilled resources needed to create and sustain an e-business agency.
14. Seek relevant and timely feedback from constituents as we design and evaluate our products and services to ensure products are user friendly and intuitive.
15. Ensure that the Department upholds taxpayer rights at every contact point as processes and technology change.

Additionally the Strategy details long-term objectives and desired outcomes.

From this strategy, the department subsequently developed short-term objectives and an Annual Performance Plan that provides direction to each of the operating divisions for the coming year. Many of these objectives lay the foundation for the implementation of the long-term strategies. Initially, the Secretary provided his objectives, from which the executive staff developed their objectives. Subsequently, each division developed objectives that supported the over-all strategies of the agency and the objectives of executive management. The key objectives, which tie directly to the Strategy Map and Strategic Plan (as noted in parentheses), are:

- 1. Provide consistently courteous and professional customer service. (Quality Customer Service, C6)**
  - 1A.** Integrate Senate Bill 242 changes into agency work processes. (S4)
  - 1B.** Conduct outreach focused on improving service to the small business community. (S2)

- 2. Provide relevant training that enhances employee performance and career growth. (Invest in Employee & Organization Development, L7)**
  - 2A.** Provide growth opportunities to develop leadership in the agency. (L13)
  - 2B.** Continue to enhance tax subject matter training for NCDOR employees.(L7)
- 3. Continue building the foundation that supports e-business expansion, in concert with the PDP. (Secure, Quality-Assured E-Services, S3)**
  - 3A.** Provide taxpayers with the ability to register their businesses online. (P7)
  - 3B.** Convert ACH debit taxpayers who use GovOne services to the enhanced OFP system. (P6)
  - 3C.** Keep the TIMS implementation on schedule and within the budget. (L2)
- 4. Examine, collect, process and account for state tax revenues. (Financial Outcome F1)**
  - 4A.** Collect \$535 million through our compliance efforts. (S1)
  - 4B.** Deposit collections in the shortest time possible. (P9)
  - 4C.** Maintain Business Continuity Management (BCM) plans that ensure continuity of operations, safety of all employees, and security of all DOR assets. (F3)
  - 4D.** Ensure compliance with federal and state security requirements. (C10, P8)
- 5. Establish the agency as an employer of choice in the public sector. (Invest in Employee & Organization Development L8)**
  - 5A.** Promote teleworking as an option for eligible employees. (L8)
  - 5B.** Convert all eligible employees from salary grades to career bands. (L8)
  - 5C.** Recruit, hire and retain qualified and diverse employees. (L12)

As a result of these objectives, Information Technology has a significant role in assisting the department in meeting its objectives.

## Current Agency State

The technology of the Department of Revenue is consolidated and managed by a single Information Technology organization. All funding is managed from a consolidated perspective, irrespective of the budget center in which the funds reside. The Agency approaches technology initiatives from a consolidated perspective as well. All projects are approved and prioritized by the Senior Staff Operations Subgroup (SSOS) either through policy directives or explicit approval. The Assistant Secretary for Information Technology, the agency's Chief Information Officer, is a member of the SSOS and participates in the decisions and discussions.

## Application Information

DOR has 15 applications in its portfolio. Following is an alphabetical list with the anticipated action for these applications for the next biennium.

Accounts Receivable	Retain. No plans for significant change until ITAS is replaced with TIMS. Normal maintenance.
Bankruptcy	Retain. No plans for significant change until ITAS is replaced, if then. Normal maintenance.
Core Banking	Retain. Normal maintenance.
Data Capture	Retain. No plans to change beyond normal maintenance.
ELF (Individual Income)	Retain. No plans for change beyond normal annual maintenance
EFT (ACH Debit)	Replace ACH Debit component in mid-2009 with OFP Enhancements (see above)
Fuel Tracking System	Retain. Implemented in 2007. Release upgrade to eliminate VB6 architecture in 2009.
IFTA Internet	Retain. No plans for change beyond normal annual maintenance. Once ACES is implemented, application will be modified to use new authentication standards.
ITAS	Begin replacement project, TIMS, in 2008. Anticipate full replacement by 2011. Normal annual maintenance and modifications until then.
JETS	Retain. Will be replaced when ITAS is replaced.



OFF	Currently under enhancement. Will continue to expand as e-services expand.
RCA	Retain. No plans to change until ITAS is replaced. Normal maintenance.
TACC	Retain. Implement Call Recording Capability.
USUB	Retain. No plans to consider significant change until ITAS is replaced. Normal maintenance and some functional enhancements.
VISTA	Retain. Normal maintenance. Will be replaced when ITAS is replaced.

## Infrastructure Assets Information

The desktop hardware environment in the agency consists of hardware that is less than 4 years old and nearly all devices are under maintenance. The department has a refresh plan to maintain all desktop hardware so that it is no more than 4 years old. The desktop operating system is XP. All laptops and desktops run TrendMicro virus protection and hard drive encryption software. We are currently planning an upgrade from Microsoft Office 2000 to Office 2007, which is expected to be implemented in mid-2009. This is a significant transition and a thorough technical and business transition plan, including end-user training, is being developed.

The email system for the department has been GroupWise since February 2004.

DOR operates an AIX client server environment on consolidated servers, whenever possible. We are also utilizing Linux where possible. The agency has significant SAN storage and is utilizing the SAN for nearly all storage requirements, including network storage, database storage, email storage, etc. This environment is continually evolving and is currently being upgraded to ensure consistency of operating versions across all platforms. The FIT project is focused on ensuring redundancy of devices and elimination of single points of failure. Additional work and funding is needed to provide sufficient disaster recovery capability.

The agency has a relatively robust network infrastructure that allows for approximately 566 of our employees to utilize VoIP for telephone services. This includes our Taxpayer Assistance and Collection Center in Rocky Mount and field offices in Wilmington, Charlotte, Rocky Mount and Raleigh.

DOR IT policy is to have support and maintenance on all hardware being used for production business functions. Only hardware that may be set aside for internal IT testing or low risk functions are considered for no maintenance based on cost effectiveness and risk of replacement.

## Current Project Information

The department currently has three significant technology projects underway.

During the past year, the ACES/OFP Enhancement Project has implemented expanded functionality for Withholding tax, Corporate Income tax, Tobacco and Cigarette taxes, Manufacturing tax, Alcohol Beverage taxes, and Water and Sewer taxes. Before the end of FY 2008-2009, Sales and Use, Piped Natural, Motor Fuels, Electric Utility Franchise, and Insurance taxes will be implemented. This system allows for self-service in a variety of areas including filing, payment, inquiry of payment history, authentication and authorization, and for management of accounts by third parties with powers of attorney. The completion of the Online Filing and Payments (OFP) project will eliminate the need for a third party payment vendor for ACH Debit transactions and will move all of these transactions to the State's Common Payment Services (CPS).

In addition to the filing and payment capability, the ACES application provides the "fine grain" authentication layer for DOR's A&A requirements and uses the "course grain" authorization provided by NCID. The sponsor team for this project consists of the Deputy Secretary, three Assistant Secretaries (including the CIO), the Chief Financial Officer, and the Director of Human Resources. Though this project has not moved to completion as soon as originally anticipated, the functionality being provided is significant and more "mature" than any services previously developed for the citizens of North Carolina by DOR. Because of our commitment to quality services, every effort has been taken to insure that the system, once deployed, would provide an excellent and user-friendly tool for the taxpayer. The initial phase was implemented in June 2008 and the second component was implemented in September 2008. The project is anticipated to be completed by mid-2009.

The Business Registration Project is an e-business application that will allow citizens to register various business types with the Department and to receive the tax number online. While not all registrations will be able to be completed online, a significant number of citizens will be able to get their tax identification number immediately, rather than waiting 4-6 weeks that the manual, form driven process takes today. This project is scheduled for completion in the fall of 2008.

With the award of the contract to CGI, Incorporated, the TIMS Project will begin moving forward quickly. The solution proposed by CGI incorporates a partnership of software and vendors to meet the processing objectives of the agency.

- Oracle Enterprise Taxation Management (ETM) software provides the core integrated tax system functionality.
- The DiscoverTax software from Revenue Solutions, Inc. (RSI) provides a tax agency-oriented data warehouse platform as the basis for the business intelligence and analytics components and will extend the audit case management capabilities of the solution.

- RSI's TaxMaster offers a complete set of desktop tools supporting field audit execution.
- Pitney Bowes DOC1 Correspondence Management and Customer Data Quality Platform (CDQP) will manage correspondence design and generation, address normalization and name standardization.
- SAS Business Intelligence and Analytics will be the reporting layer allowing end users to access and effectively utilize information from across solution components.

The implementation of TIMS will ultimately replace several legacy systems, ITAS, JETS, USUB, and VISTA, as well as potentially all or a large portion of RCA, Accounts Receivable, and ELF. Once implemented, the TIMS environment will allow web-enablement of services for taxpayers more easily.

The TIMS infrastructure will be hosted at the ITS facilities, both in Raleigh and in Forest City. The project plans for a complete business continuity infrastructure and DOR is already working with ITS to determine the design of the technical architecture. The solution utilizes an n-tier design and implements a server-centric technical architecture where thin HTML clients communicate with the server components through HTTPS (secure sockets) for encryption.

The TIMS project is a three-year initiative and is not anticipated to be completed until 2011. This project will require the involvement of nearly every IT employee at DOR in some capacity. It will be a significant challenge to continue to maintain and enhance the legacy systems in support of recurring legislative requirements while implementing TIMS. The agency has a strategy to backfill current support personnel with contractors to ensure that agency personnel are the primary resources on the TIMS project and is in a position to learn the new system from the ground up.

## **Operations/IT Management Information**

The current operations/IT management practices of DOR are solid. The funding provided in prior years has helped the agency gain a solid footing for both desktop and client server hardware architecture and infrastructure. The key area that the agency is working on is the business continuity/disaster recovery plans. During the remainder of this fiscal year, plans will be developed that cost out a disaster recovery plan for our client server and network operations. Future funding for this initiative will be needed.

The project management skills in the agency continue to grow. This is not an area of concern specifically, but resource limitations and a continuing increase in the number of projects requiring project management oversight necessitates that external resources be utilized more that would be optimal. DOR has an EPMO organization external to IT that oversees key agency enterprise initiatives. However, IT still needs project managers to coordinate IT activities and to manage smaller

projects that the EPMO cannot take on. We are realigning vacant positions where practical to handle this need.

Effective October 2007, DOR Security was split into Physical Security and Information Security. The Information Security Division was moved into Information Technology, reporting directly to the Assistant Secretary for Information Technology. The primary responsibility of the division, as it relates to technology, has not changed. Information Security has the responsibility for defining the policies and security requirements. The other IT divisions have the responsibility for determining how to meet those policies and requirements. DOR has always placed a tremendous emphasis on information security due to the nature and sensitivity of our business operations. While there is always room for improvement, there are no significant issues at this time beyond limited resources necessary to perform all of the critical IT related functions.

## **Human Resources**

DOR has eliminated all of its long-term contractors through funding of positions in the continuation budget or through the conversion of contractor funds to salary/benefits approved by OSBM. No significant requests for more positions are anticipated in the short-term. DOR was able to receive significant funding from the Salary Adjustment Fund in 2008 to adjust salaries of those affected by the initial grade to band conversion in December 2005. This has reduced the salary disparity to a great degree for most employees. We have been fortunate during the past year to be able to hire very good employees by managing salaries carefully. However, there have been instances where highly qualified candidates could not be hired due to salary limitations.

The current six-month limitation on the supplemental staffing contract has continued to be problematic. Because the OFP Enhancement Project has required additional technical resources for an extended period of time, we have requested and received an exemption from the six-month cap in order to successfully complete the project in a more time and efficient manner.

## Major Initiatives and Investments

The E-Business Strategy PDP implementation is the primary initiative for the department for the seven years.

The first phase of this effort is the replacement of the legacy ITAS system with a new Tax Information Management System (TIMS). The integration contract has been awarded to CGI Technologies, Incorporated. This is a multi-year, multi-faceted project that started in September 2008. The solution consists of industry leading COTS products provided by Oracle, Revenue Solutions Incorporated, Pitney Bowes and IBM. In addition to replacing ITAS, it will all integrate functionality from other existing tax systems to further enhance our integrated capability: JETS, RCA, USUB, and VISTA. ITS will provide the hosting facilities for the infrastructure environments at the Eastern and Western Data Centers. This project will ensure a self-managing disaster recovery environment for the resulting system to eliminate much of the deficiencies in the current client server systems relative to disaster recovery. The TIMS project has a projected total cost of \$65-\$70M, with \$45M already approved. The project has the full commitment of the DOR executive management who will serve as the Steering Committee for the effort. It is anticipated that this project will consume a large portion of the resources of the agency and, hence, will limit the number and scope of other initiatives that will be undertaken during the next biennium.

A key component of the TIMS Project will be the implementation of an enterprise data warehouse that will significantly improve the management reporting and analytical capability of the department. Additionally, the software to be implemented will expand and enhance the case management and prioritization capabilities of the audit and collection organizations, thereby improving the overall efficiency of operations. The establishment of the Data Warehouse Center of Excellence to support this capability is critical to the success of the initiative.

The OFP Enhancement Project will continue and be completed during 2009. This will significantly improve the e-services available to taxpayers. As resources are available, additional e-services may be developed and deployed as appropriate and consistent with the direction of the TIMS infrastructure. Because TIMS is expected to provide an application environment that is more readily web-enabled, significant e-services development may not be undertaken until the TIMS application is ready to be leveraged.

The FIT project will continue in the next biennium with the development and deployment of the ITIL processes. This will also include the deployment of tools that will enable IT personnel to more effectively perform their responsibilities. Efforts are focused on procuring tools for incident ticket management, network monitoring, applications requirements definitions, applications testing, and systems administration monitoring.

As directed by legislation passed in 2008, DOR will work with ITS to move from GroupWise into the enterprise email system, MS Exchange, during 2009. Because of the IRS and state confidentiality requirements, the architecture of this solution will be significant and critical joint initiative. DOR has a significant amount of storage for emails and archived email that must be converted. The recurring cost of the new enterprise service and associated storage costs is a major area of concern at the point in time.

## Conclusion

In conclusion, DOR has a challenging and exciting biennium ahead as it relates to technology. The TIMS project will be an agency-wide endeavor but one that will help transform the agency into a customer-service organization and move technology forward significantly in its e-business strategy. The ongoing FIT project will run in parallel with the TIMS implementation and is intended to complement the TIMS project by improving the operations and process of the IT organization.

The challenges of limited financial and human resources will continue to require creativity and flexibility. However, DOR is in an excellent position to be able to make strategic decisions for the agency because of the commitment to strategic planning throughout the agency. This will help ensure that the constrained resources are applied to the areas that will most benefit the agency as a whole.

DOR knows where it wants to go relative to technology, it has a plan and it is actively fulfilling that plan.